

Proposed 1996 House Supplemental Budget

Budget Principles

Cut Taxes

Hold the Line on Spending

Fund Policy Commitments

Prepare for New Educational Technologies

Continue Government Reform

Maintain Budget Reserve of at Least \$400 Million

Proposed 1996 House Supplemental Budget

General Fund State

(dollars in millions)

Cut Taxes	(306)
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Hold the Line on Spending

Original 1995-97 Budget	17,599
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Revised 1995-97 Budget	17,549
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Fund Policy Commitments

Welfare Reform (E2SHB 1481)	17.0
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At-risk Youth (HB 2217)	12.2
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Juvenile Justice	9.9
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Children's Services	5.6
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K-12 Education	23.6
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Higher Education	<u>21.3</u>
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89.6

Prepare for New Educational Technologies

K-12 Technology Equipment and Program Costs	10.0
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K-12 Vocational Equipment	6.0
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K-20 Technology Networks Study & Planning	0.1
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K-20 Technology Networks Trust Fund	<u>5.0</u>
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21.1

Continue Government Reform

Regulatory Reform	2.1
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Performance Audits (HB 2222)	0.1
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DSHS Reorganization (HB 2226)	2.1
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Implement Puget Sound Plan (HB 2875)	0.1
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Study Health Care Issues	0.2
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Study K-12 Issues	0.5
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Water Planning and Permit Processing	<u>5.0</u> Other Funds
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10.1

House Proposed 1996 Supplemental Appropriations
1995-97 General Fund-State Balance Sheet
(Dollars in Millions)

RESOURCES	
Beginning Balance	661
November 1995 Forecast	17,668
Total Beginning Resources	18,329
Revenue Reductions	(306)
Total Revised Resources	18,023
EXPENDITURES	
Original 1995-97 Biennial Appropriations	17,599
<i>1996 Supplemental Appropriations</i>	
Changes in Enrollment and Caseload	(163)
Policy Initiatives	116
Capital Budget	1
Transportation Budget	1
Total Revised 1995-97 Expenditures	17,554
Change from Original Appropriations	(45)
I-601 Spending Limit	17,899
Estimated Ending Balance	469

MAJOR TAX CUTS

The House budget reduces taxes paid into the state's general fund by a total of \$308 million. These major tax cuts provide \$280 million of this total.

B&O TAX RATE REDUCTION (132.4)

Business and Occupation tax rate increases on service businesses that were adopted in 1993 are cut in half, effective January 1, 1996. The rate for selected business services is reduced from 2.5 percent to 2.0 percent, for financial businesses from 1.7 to 1.6 percent, and for other services from 2.0 percent to 1.83 percent. For businesses in distressed areas, the B&O tax credit for creation of new jobs is increased to \$2,000 per job created, and a new credit is created equal to 20 percent of employee training costs. (SB 6117) (Governor's veto overridden)

PROPERTY TAX REDUCTIONS (52.3)

Annual property taxes levied by the state will be reduced by 5 percent beginning with collections in calendar year 1997. Future growth in total state property taxes will be limited to the lesser of 6 percent or the rate of growth in the Consumer Price Index. (EHB 2951)

SALES TAX EXEMPTION FOR RESEARCH & DEVELOPMENT (29.9)

In 1995, a new sales tax exemption was enacted for machinery and equipment used in manufacturing, including installation labor. This exemption is extended to: (1) machinery and equipment for research and development by manufacturers, including installation labor and services; and (2) repair and replacement parts, including labor. (HB 2484)

COMPENSATION FOR SALES TAX COLLECTION (11.9)

Businesses are allowed to retain 0.3 percent of the state retail sales tax they collect from consumers as reimbursement for the costs of collecting the tax. (EHB 1155)

REPEAL OF 1993 SALES TAXES (34.2)

In 1993, the Legislature extended state and local retail sales taxes to sales of services such as landscape maintenance and horticultural services, coin operated laundry facilities in apartment houses, hotels, trailer camps, service charges on sporting event tickets, guided tours and guided charters, physical fitness services and tanning salon services. Sales taxes will be repealed for these services, effective July 1, 1997. (HB 2212)

SMALL BUSINESS B&O TAX RELIEF (18.8)

The small business credit for the Business and Occupation tax is increased from \$420 to \$600 per month. The threshold for filing tax returns is increased from \$12,000 to \$24,000 per year. The tax exemption threshold for the public utility tax is increased from \$6,000 to \$24,000 per year. (SHB 2215)

The table on page 15 provides a complete list of bills affecting general fund revenue.

WELFARE REFORM

General Fund State (dollars in millions)

E4SHB 1481 changes state policies for persons receiving assistance under the Aid to Families with Dependent Children (AFDC) program. These changes will encourage AFDC recipients to enter the workforce quickly, shorten their stay on welfare, and take personal responsibility for their families and their economic well-being.

CLIENT CONTRACTS **\$2.2**

AFDC recipients are required to sign contracts specifying responsibilities and setting new limits on assistance.

JOB OPPORTUNITIES AND BASIC SKILLS PROGRAM (JOBS) **21.7**

AFDC recipients are required to participate in the JOBS program which provides employment training and support services to public assistance recipients. Funding is provided for the additional JOBS participation resulting from this requirement.

CHILDCARE FOR AFDC RECIPIENTS, JOBS PARTICIPANTS **12.4**

Childcare subsidies are funded for the increased number of AFDC recipients who work, participate in JOBS, and leave public assistance for employment under E4SHB 1481.

EMPLOYMENT CHILDCARE **19.4**

Funding is provided for 100 percent of the waiting list for the non-AFDC low-income childcare subsidy program. Employment childcare provides childcare subsidies for low-income working families.

MINOR PARENT PROVISIONS **0.3**

Maternal and paternal grandparents are made liable for child support for the children of their minor children. Minor AFDC parents must live with their parents or in an adult-supervised setting and must receive grants through a protective payee.

SAVINGS **(40.2)**

Nine percent of AFDC cash grants are diverted to fund employment support services. Additional savings result from decreased applications, increased sanctions, and increased employment.

COMPUTER SYSTEM CHANGES **1.1**

Funding is provided to update the Automated Client Eligibility System (ACES) and JOBS Automated System (JAS). Changes include tracking lengths of stay on AFDC in order to implement time limits and monitoring the mandatory participation in the JOBS program.

Total **\$17.0**

AT-RISK YOUTH

General Fund State (dollars in millions)

The 1995 Legislature enacted E2SHB 5439 (the "Becca" bill) to address the problems of non-offender, at-risk youth and their families. This major legislation revised judicial procedures to increase protection for teenage runaways, provide for alternative residential placements and increase involuntary treatment for substance abuse. The House supplemental budget funds E2SHB 2217 to more fully achieve the goals of the "Becca" bill, including increased support for school-based programs to reduce truancy.

JUVENILE COURT AND PROSECUTORS COSTS **\$3.3**

Provides funds for court preparation and hearing costs. Also funds attorney costs associated with truancy petitions and Children in Need of Services (CHINS) petitions.

SECURE PROGRAM FOR HABITUAL RUNAWAYS **2.0**

E2SHB 2217 permits courts to place at-risk youth in a secure treatment facility. Funding provides for 28 beds.

FAMILY RECONCILIATION SERVICES **1.1**

Family reconciliation services offer short term, intensive, crisis intervention services to runaway children and families in conflict. Funding provides support for 280 additional families in 1997.

DETOX AND STABILIZATION SERVICES **0.7**

Funds 10 beds statewide for detoxification and crisis stabilization for substance-abusing youth.

ASSESSMENT IN CRISIS RESIDENTIAL CENTERS **0.2**

Provides funds for contracted specialists to provide assessment of at-risk youth for specialized treatment in CRC's when parents are unable to pay for assessment.

INPATIENT AND RECOVERY HOUSE TREATMENT **0.9**

Provides funding for 15 inpatient beds for adolescents and 15 recovery house beds for substance abusing youth not able to return home after treatment.

SCHOOL DISTRICT TRUANCY COSTS **4.0**

The 1995 and 1996 "Becca" bills require filing truancy petitions and providing specialized educational services for truant youth. The original budget funded \$3 million for filing costs. The supplemental budget provides an additional \$4 million for the specialized services.

Total **\$12.2**

JUVENILE JUSTICE

General Fund State (dollars in millions)

Over the last decade, both the incidence and the nature of crimes committed by juveniles have taken a dramatic turn for the worse. The House supplemental budget funds E2SHB 2219, which makes major changes in the way violent juvenile offenders are treated. It promotes early intervention, and provides for necessary safety and security improvements at state juvenile institutions.

COMBAT VIOLENT JUVENILE CRIME

\$6.0

E2SHB 2219 makes numerous changes, including automatically prosecuting juveniles as adults when charged with certain crimes, increasing sentences for certain juvenile offenders, and raising the seriousness level (and thus the sentence) for Assault 2 and Robbery 2. The budget recognizes savings in Juvenile Rehabilitation Administration and costs in the Department of Corrections and Sentencing Guidelines Commission, and provides funding to counties for local impacts of the new sentencing provisions.

INTERVENTION PROGRAMS

2.4

Provides funding for counties to implement statewide early intervention programs modeled on the Pierce County pilot project, which emphasizes accountability of the juvenile through work, violence prevention, restitution and victim awareness programs. Participants in the Pierce County pilot project had a recidivism rate of 6 percent compared to 26 to 35 percent for youths who had traditional probation.

ENHANCE HEALTH, SAFETY AND SECURITY IN INSTITUTIONS

1.5

Funds enhancements at Juvenile Rehabilitation institutions which will improve the security, safety and health of both residents and staff. Specific items include the addition of security cameras and audio surveillance equipment, strengthening the living units at Maple Lane, and the addition of roving security staff on swing and night shifts.

Total \$9.9

CHILDREN'S SERVICES

General Fund State (dollars in millions)

Concerns about the safety of children, the rights of parents, and rapid growth in foster care caseloads have underscored the need to improve services to children and families in the Department of Social and Health Services. The House supplemental budget reduces social worker caseloads in Child Protective Services, improves oversight of foster and group homes, and makes state government more responsive to the needs of children and families.

INCREASED CHILD PROTECTIVE SERVICES STAFF **\$3.1**

Provides funding to reduce social worker caseloads from 36 to 33 families. This will enable caseworkers to spend more time working directly with children and their families.

TRAINING ENHANCEMENTS **0.2**

Funds advanced caseworker training, supervisory training and substance abuse training for CPS staff.

FOSTER/GROUP HOME IMPROVEMENTS **0.2**

Provides funding for increased foster parent recruitment and contracting for foster parent liaisons who assist foster parents with problems.

FOSTER HOME LICENSORS **0.8**

Provides funding to monitor contracted group homes. Also provides funding to reduce licensor caseload so that each licensor is responsible for licensing or re-licensing 90 rather than 114 foster families or group homes.

SEXUALLY AGGRESSIVE YOUTH SERVICES **1.0**

Provides funding for treatment of 180 additional sexually aggressive youth. Funding is also provided for a pilot project in Pierce County to educate foster parents who care for sexually aggressive children. The pilot project will serve 75 foster families.

CHILDREN YOUTH AND FAMILY OMBUDSMAN **0.3**

Funds 2SHB 2856, which creates an office of ombudsman in the Office of the Governor to ensure that DSHS and state-licensed facilities comply with statutory requirements relating to protection of children and families.

PARENT-CHILD ASSISTANCE PROGRAM **0.3**

The Parent and Child Assistance program serves mothers with alcohol or chemical dependency problems who have received little or no prenatal care. The budget provides funding to serve 73 families through this program. (\$76,000 is from the state General Fund and \$270,000 is from the Violence Reduction and Drug Enforcement Account.)

Totals	GFS	<u>\$5.6</u>
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	VRDEA	<u>\$0.3</u>
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NEW EDUCATION TECHNOLOGIES

General Fund State (dollars in millions)

The House supplemental budget takes the first steps in bringing education in Washington State fully into the Information Age. It provides for a planning process and set-aside funding to create a technology network that can potentially serve all educational consumers, from public to private, and from kindergarten to graduate school. It works in partnership with local school districts, higher education institutions, state government and private industry to open new ways of learning to our students.

K-20 DISTANCE EDUCATION TECHNOLOGY **\$5.1**

The Department of Information Services will coordinate planning and cost-benefit analyses for networks serving Higher Education and K-12. The budget sets aside \$5 million to begin network improvements, dependent on Information Services Board approval.

K-12 TECHNOLOGY EQUIPMENT & PROGRAM COSTS **10.0**

Funds for technology equipment and related programs will be distributed through a grant program prioritizing funding to programs that are consortia, provide local match, and exhibit evidence of partnerships with the technology industry.

K-12 VOCATIONAL EDUCATION EQUIPMENT **6.0**

Provides funding for upgrades of technical equipment to ensure that vocational training is relevant to the rapidly changing workplace.

Total **\$21.1**

K-12 EDUCATION

General Fund State (dollars in millions)

The 1995-97 biennial budget provided \$8.3 billion in General Fund-State appropriations for K-12 education which increased the state per-pupil funding by \$98 dollars. The House supplemental budget eases the transition to school finance reforms made in the original budget, meets certain one-time needs, and prepares the ground for new approaches to the delivery of public education.

BUS FUNDING

\$9.0

To address the transitional cash flow problems of districts, the 1994-95 bus price support levels are used for depreciation payment schedules for the remainder of this biennium. The prospective, low-bid system is retained, but cash for purchasing buses is increased.

HAZARDOUS WALKING

5.5

The original budget assumed districts could mitigate up to 50 percent of hazardous walking situations. The new assumption is that 35 percent can be mitigated; therefore 65 percent of conditions should be documented as unresolvable "hazardous." A new approach to allocations assumes service needs within one mile rather than specific ridership workload, thus reducing paperwork and providing incentive to mitigate conditions without losing funding.

SCHOOL SECURITY GUARDS

2.8

The biennial budget provided \$3.1 million for school security programs in secondary schools. Additional funding is provided to serve more districts. The program is broadened to serve grades K through 12.

CHARTER SCHOOLS

2.8

SHB 2910 authorizes the creation of charter schools, independent public schools that are granted greater autonomy in school operations in exchange for greater accountability for results. State allocated funding is provided for an estimated 600 students not currently in public schools who could be expected to enroll in charter schools.

READING LITERACY

0.6

Provides for identification of effective reading education programs, grants for in-service training and enhanced reading materials, and assistance to school districts seeking to improve reading education. (E2SHB 2909)

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K-12 EDUCATION

General Fund State
(dollars in millions)

EXTENDED DAY SKILL CENTER PROGRAMS	1.0
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Funding is provided for assisting at-risk high school students to receive training. These funds provide outreach and life coping skills to facilitate students' re-entry to public education.

VOCATIONAL EDUCATION SUMMER SCHOOL	1.9
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State funding is provided for summer school vocational education programs at the skills centers.

Total	<u>\$23.6</u>
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School District Truancy Costs

The 1995 and 1996 Becca Bills require filing truancy petitions and providing specialized educational services for truant youth. The original budget funded \$3 million for filing costs. The supplemental budget provides an additional \$4 million for specialized services.

HIGHER EDUCATION

General Fund State (dollars in millions)

The 1995-97 biennial budget provided for 5,228 enrollment slots and enhancements in financial aid programs, while implementing a 1994 directive for efficiencies in the state's two- and four-year institutions. The House supplemental budget provides planning and set-aside funding for a major initiative to increase access by utilizing new technologies, meets one-time needs and funding gaps, and maintains the original budget's commitment to access and financial aid.

TECHNICAL COLLEGE ACCREDITATION **\$3.2**
Funds changes needed to meet accreditation requirements for five technical colleges.

COMMUNITY AND TECHNICAL COLLEGE COMPETITIVE GRANTS **4.5**
Funds two competitive grant pools. \$2.5 million for special requirements related to serving disabled students, and \$2 million for improving student productivity and learning.

COOPERATIVE LIBRARY PROJECT **3.7**
Funds phase one of an integrated library system among the four-year colleges and universities. The system will allow students access via computer to library materials and data bases at other schools.

WSU RESEARCH **1.6**
Funding is provided for: (1) research related to wine and wine grapes, including pest resistance, cover crops and wine quality; (2) pesticide research that assists in the registration of chemicals benefiting minor crops; and (3) designs to restore habitat in irrigation canals.

INCREASED ENROLLMENT **3.4**
Funds 740 additional students at community and technical colleges, as recommended by the Workforce Training and Education Coordinating Board. Also funds 257 additional students at the four-year schools, in order to maintain the 1995 participation rate.

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HIGHER EDUCATION

General Fund State (dollars in millions)

STUDENT FINANCIAL AID

\$4.6

Funding is provided for financial aid programs: (1) Under E2SHB 2302, a \$1 million pool of state funding will be used to match financial aid funds raised by public and private institutions; (2) \$500,000 for 200 additional grants under the Equal Opportunity Grant program; (3) \$3 million for 1,900 additional work study students; (4) \$50,000 for National Guard conditional scholarships; and (5) \$50,000 for 25 matching grants of \$2,000 each for communities that raise scholarship money.

HECB ADMINISTRATIVE FUNCTIONS

0.3

Funding is provided for the Higher Education Coordinating Board (HECB) to (1) develop a college admissions system that accommodates competency-based high school records; (2) study higher education needs in North Snohomish, Island, and Skagit counties; and (3) pay attorney general costs to defend the Equal Opportunity Grant program in court.

Total \$21.3

K-20 Distance Education Technology

The Department of Information Services will coordinate planning and cost-benefit analyses for networks serving Higher Education and K-12. The budget sets aside \$5 million to begin network improvements, dependent on Information Services Board approval.

CONTINUE GOVERNMENT REFORM

The House supplemental budget funds legislation that continues efforts made by the House in the 1995 session to make the programs and activities of state agencies more efficient in the use of taxpayer dollars, more effective in achieving intended results, and more accountable to the Legislature and the public.

REGULATORY REFORM

The budget provides \$2.1 million from the state general fund and \$3.6 million from other funds to various agencies to implement regulatory reform legislation. This legislation carries forward work begun by ESHB 1010 in 1995 to reform the agency rule-making process to make state regulations more clear, cost-effective, and consistent with legislative intent, and less of a burden on businesses and individuals. (E2SHB 2221, SHB 2747, SHB 2748)

IMPROVED GOVERNMENT OVERSIGHT

E2SHB 2222 renames the Legislative Budget Committee the Legislative Audit Review Committee (JLARC) and expands its powers and duties to place greater emphasis on performance audits of state agencies and monitor compliance with the recommendations of audit reports. \$75,000 is provided from the state general fund for a planning phase and for the first three performance audits.

DSHS REORGANIZATION

Funding is provided to coordinate the creation of a new Department of Children and Family Services, transfer the Office of Special Investigations to the Washington State Patrol, and to divide the division of Juvenile Rehabilitation between the Department of Corrections and the new Department of Children and Family Services. (ESHB 2226)

WATER PLANNING AND PERMIT PROCESSING

\$4,000,000 is provided expressly for watershed planning so that when a local planning group has formed under the provisions of 2SHB 2200, it may then apply for \$500,000 in state financial assistance. Up to eight such local planning groups can be funded on a first-come, first-serve basis from this appropriation. An additional \$1 million is provided from other funds to met newly established permit issuance deadlines and to process claims filed under the amnesty provisions of SHB 2199.

IMPLEMENTATION OF PUGET SOUND PLAN

Creates a management team responsible for implementation of the plan to protect Puget Sound that was developed by the Puget Sound Water Quality Authority. \$100,000 is provided by transferring funds from the Department of Health and the Department of Ecology. (ESHB 2875)

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CONTINUE GOVERNMENT REFORM

HEALTH CARE STUDIES

The budget provides \$231,000 state general fund to initiate studies relating to improving the delivery of health care services. Studies to be funded include (1) ways to ensure the availability of trauma care in all regions of the state; (2) the use of Medical Savings accounts in the Basic Health Plan; (3) long-term care delivery systems; and (4) guaranteed issue of coverage requirements and pre-existing conditions exclusions in health insurance plans.

K-12 STUDIES

\$500,000 is provided from the state general fund to examine special education programs with unusually rapid enrollment growth or high costs. The Legislative Budget Committee will study the extent and uses of supplemental salaries for K-12 certificated staff. The LBC will also provide a follow-up report to the 1995 study of vocational education.

STUDY OF AGENCY PUBLICATIONS

The Office of Financial Management is directed to conduct a study of publications regularly produced and distributed by state agencies. The study will determine whether the benefits of each report justify its cost and whether reports could be distributed by less costly means.

1996 REVENUE LEGISLATION

(GFS in Thousands)

Enacted into Law			1995-97
SB	6117	B&O rates reduction	(132,400)
Passed House			
2EHB	1016	Ferry fuel sales and use tax	(807)
EHB	1155	Sales tax/sellers compensatn	(11,921)
HB	1436	Lodging excise tax	(77)
ESHB	1459	Property management/B&O tax	(1,134)
SHB	1484	Landowner forest fire account interest	(166)
SHB	1626	Naturopaths medicine sales tax	(253)
SHB	1639	Vessel manufctrs/dealers tax	(53)
ESHB	1733	Camps & conferences/tax exmp	(151)
SHB	2119	Preserved fruit and vegetables B&O	(92)
HB	2212	Sales tax on services	(34,201)
SHB	2215	Small business B&O relief	(18,800)
SHB	2253	Nonprofit org tax exemptions	(262)
HB	2290	Wind/solar power sales tax exempt	(1,445)
SHB	2366	Local public health financing	(875)
HB	2397	County timber tax on publicly owned land	(10,600)
HB	2424	Fermented apple cider taxation	4
HB	2440	Low-density light and power deductions	(17)
SHB	2447	Motor vehicle auctions B&O	(435)
HB	2484	R&D, repair parts sales tax exemption	(29,924)
SHB	2505	Hay, alfalfa, and seed B&O	(145)
SHB	2590	Guided tours and charters (Jefferson Lines)	(1,206)
ESHB	2592	Penalties and interest	0
HB	2593	Railroad public utility tax rate	(103)
HB	2594	Aluminum cathodes and anodes sales tax	(1,427)
HB	2710	Crediting liability account with earnings	(2,742)
HB	2778	Farmworker housing sales tax exemptions	(175)
HB	2853	Horse-related excise tax exemptions	(1,629)
HB	2894	Aviation fuel sales tax exemption	(2,605)
SHB	2926	Thoroughbred racing tax changes	(422)
SHB	2945	Casino management B&O tax	0
HB	2951	State property tax cut 5%, inflation limit	(52,338)
Total			(306,400)